

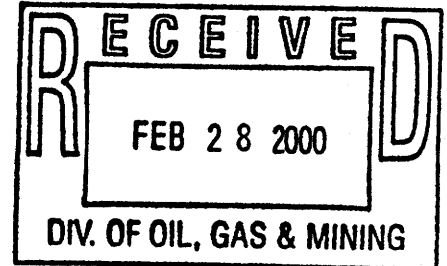
File Number M/001/027

Effective Date March 9, 2000

Other Agency File Number ML-3092

AA 3-6-00

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION of OIL, GAS and MINING
1594 West North Temple Suite 1210
Box 145801
Salt Lake City, Utah 84114-5801
(801) 538-5291
Fax: (801) 359-3940



RECLAMATION CONTRACT

---ooOoo---

For the purpose of this RECLAMATION CONTRACT the terms below are defined as follows:

"NOTICE OF INTENTION" (NOI): (File No.) M/001/027
(Mineral Mined) Perlite

"MINE LOCATION":
(Name of Mine) Pearl Queen Perlite Mine
(Description) part of SE/4 Sec 2
T27S - R9W
Located on State Land

"DISTURBED AREA":
(Disturbed Acres) 10
(Legal Description) (refer to Attachment "A")

"OPERATOR":
(Company or Name) Basin Perlite Company
(Address) 1776 Lincoln Street Suite 900
Denver, CO 80203

(Phone) 303/863-3922
FAX 303/863-1736

"OPERATOR'S REGISTERED AGENT":

(Name)

(Address)

(Phone)

CT Corporation

50 West Broadway

Salt Lake City, UT 84101

801/364-5101

"OPERATOR'S OFFICER(S)":

William R. Wilson - President

Ryan Bennett - Treasurer

Brian Dolan - Secretary

"SURETY":

(Form of Surety - Attachment B)

Surety

"SURETY COMPANY":

(Name, Policy or Acct. No.)

Amwest Surety Insurance Co.

"SURETY AMOUNT":

(Escalated Dollars)

\$40,800

"ESCALATION YEAR":

2004

"STATE":

"DIVISION":

State of Utah

Division of Oil, Gas and Mining

"BOARD":

Board of Oil, Gas and Mining

ATTACHMENTS:

A "DISTURBED AREA":

B "SURETY":

This Reclamation Contract (hereinafter referred to as "Contract") is entered into between Basin Perlite Company the "Operator" and the Utah State Division of Oil, Gas and Mining ("Division").

WHEREAS, Operator desires to conduct mining operations under Notice of Intention (NOI) File No. M/001/027 which has been approved by the Utah State Division of Oil, Gas and Mining under the Utah Mined Land Reclamation Act, Sections 40-8-1 et seq., Utah Code Annotated, (1953, as amended) (hereinafter referred to as "Act") and implementing rules; and

WHEREAS, Operator is obligated to reclaim that area described as the Disturbed Area as set forth and in accordance with Operator's approved Reclamation Plan, and Operator is obligated to provide surety in form and amount approved by the Division, to assure reclamation of the Disturbed Area.

NOW, THEREFORE, the Division and the Operator agree as follows:

1. Operator agrees to conduct reclamation of the Disturbed Area in accordance with the Act and implementing regulations, the original Notice of Intention dated February 7, 1997, and the original Reclamation Plan dated February 7, 1997. The Notice of Intention as amended, and the Reclamation Plan, as amended, are incorporated by this reference and made a part hereof.
2. Concurrent with the execution hereof, Operator has provided surety to assure that reclamation is conducted, in form and amount acceptable to the Division. Such surety as evidenced by the Surety Contract is in the form of the surety attached hereto as Attachment B and made a part hereof. The Surety Contract shall remain in full force and effect according to its terms unless modified by the Division in writing. If the Surety Contract expressly provides for cancellation, then, within 60 days following the Division's receipt of notice that the Surety Company intends to cancel the Surety Contract, the Operator shall provide a replacement Surety Contract in a form and amount reasonably acceptable to the Division. If the Operator fails to provide an acceptable replacement Surety Contract, the Division may order the Operator to cease further mining activities and to begin immediate reclamation of the Disturbed Area.
3. Operator agrees to pay legally determined public liability and property damage claims resulting from mining to the extent provided in Section 40-8-7(1)(e) of the Act.
4. Operator agrees to perform all duties and fulfill all reclamation requirements applicable to the mine as required by the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
5. The Operator's liability under this Contract shall continue in full force and effect until the Division certifies that the Operator has reclaimed the Disturbed Area in accordance with the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
6. If reclamation of discrete sections of the Disturbed Area is completed to the satisfaction of the Division, and the Division finds that such sections are severable from the remainder of the Disturbed Area, Operator may request the Division to certify that Operator has reclaimed such discrete sections of the Disturbed Area in accordance with the Act and Implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended. If the Division makes such certification, Operator may make request to the Division that the aggregate face

amount of the Surety Contract provided pursuant to paragraph 2 be reduced to an amount necessary to provide for completion of the remaining reclamation. The Division shall hear Operator's request for such reduction in accordance with the Board's Procedural Rules concerning requests for Agency Action.

7. Operator agrees to indemnify and hold harmless the State, Board and the Division from any claim, demand, liability, cost, charge, suit, or obligation of whatsoever nature arising from the failure of Operator or Operator's agents and employees, or contractors to comply with this Contract.
8. Operator may, at any time, submit a request to the Division to substitute surety. The Division may approve such substitution if the substitute surety meets the requirements of the Act and the implementing rules.
9. This Contract shall be governed and construed in accordance with the laws of the State of Utah.
10. If Operator shall default in the performance of its obligations hereunder, Operator agrees to pay all costs and expenses, including reasonable attorney's fees and costs incurred by the Division and/or the Board in the enforcement of this Contract.
11. Any breach that the Division finds to be material of the provisions of this Contract by Operator may, at the discretion of the Division, result in an order to cease mining operations. After opportunity for notice and hearing, the Board of Oil, Gas and Mining may enter an order to revoke the Notice of Intention, order reclamation, or order forfeiture of the Surety Contract, or take such other action as is authorized by law.
12. In the event of forfeiture of the Surety Contract, Operator shall be liable for any additional costs in excess of the surety amount which are required to comply with this Contract. Any excess monies resulting from forfeiture of the Surety Contract, upon completion of reclamation and compliance with this Contract, shall be returned to the rightful claimant.
13. This Contract including the Notice of Intention, as amended and the Reclamation Plan, as amended, represents the entire agreement of the parties involved, and any modification must be approved in writing by the parties involved.
14. Each signatory below represents that he/she is authorized to execute this Contract on behalf of the named party.

OPERATOR:

Basin Perlite Company
Operator Name

By William R. Wilson
Authorized Officer (Typed or Printed)

President
Authorized Officer - Position

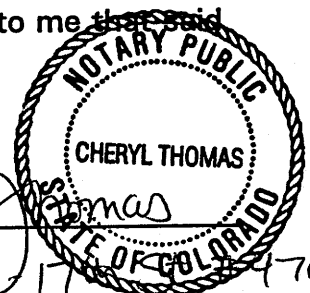
[Signature]
Officer's Signature

October 21, 1999
Date

STATE OF COLORADO)
) ss:
COUNTY OF DENVER)

On the 21st day of October, 19 99, personally
appeared before me William R. Wilson who being by
me duly sworn did say that he/she, the said
is the President of Basin Perlite Company
and duly acknowledged that said instrument was signed on behalf of said company
by authority of its bylaws or a resolution of its board of directors and said
President duly acknowledged to me that said
company executed the same.

Cheryl Thomas
Notary Public
Residing at: 3701 17th St, Apt 700
Denver, CO 80202



8/6/2000
My Commission Expires:

DIVISION OF OIL, GAS AND MINING:

By

Mary Ann Wright
Mary Ann Wright, Associate Director

Date

March 9, 2000

STATE OF UTAH)

COUNTY OF SALT LAKE) ss:

On the 9th day of MARCH, 20 00,
personally appeared before me MARY ANN WRIGHT, who being
duly sworn did say that he/she, the said MARY ANN WRIGHT
is the Associate Director of the Division of Oil, Gas and Mining, Department of Natural
Resources, State of Utah, and he/she duly acknowledged to me that he/she executed
the foregoing document by authority of law on behalf of the State of Utah.



NOTARY PUBLIC
DOLORES F. ROBERTS
1594 W. No. Temple #116
S.L.C., UT 84114
COMMISSION EXPIRES
JAN. 15, 2004
STATE OF UTAH

Dolores F. Roberts
Notary Public
Residing at: DAVIS County

1-15-2004
My Commission Expires:

ATTACHMENT "A"

<u>Basin Perlite Company</u>	<u>Pearl Queen Mine</u>
Operator	Mine Name
<u>M/001/027</u>	<u>Beaver</u> County, Utah
Permit Number	

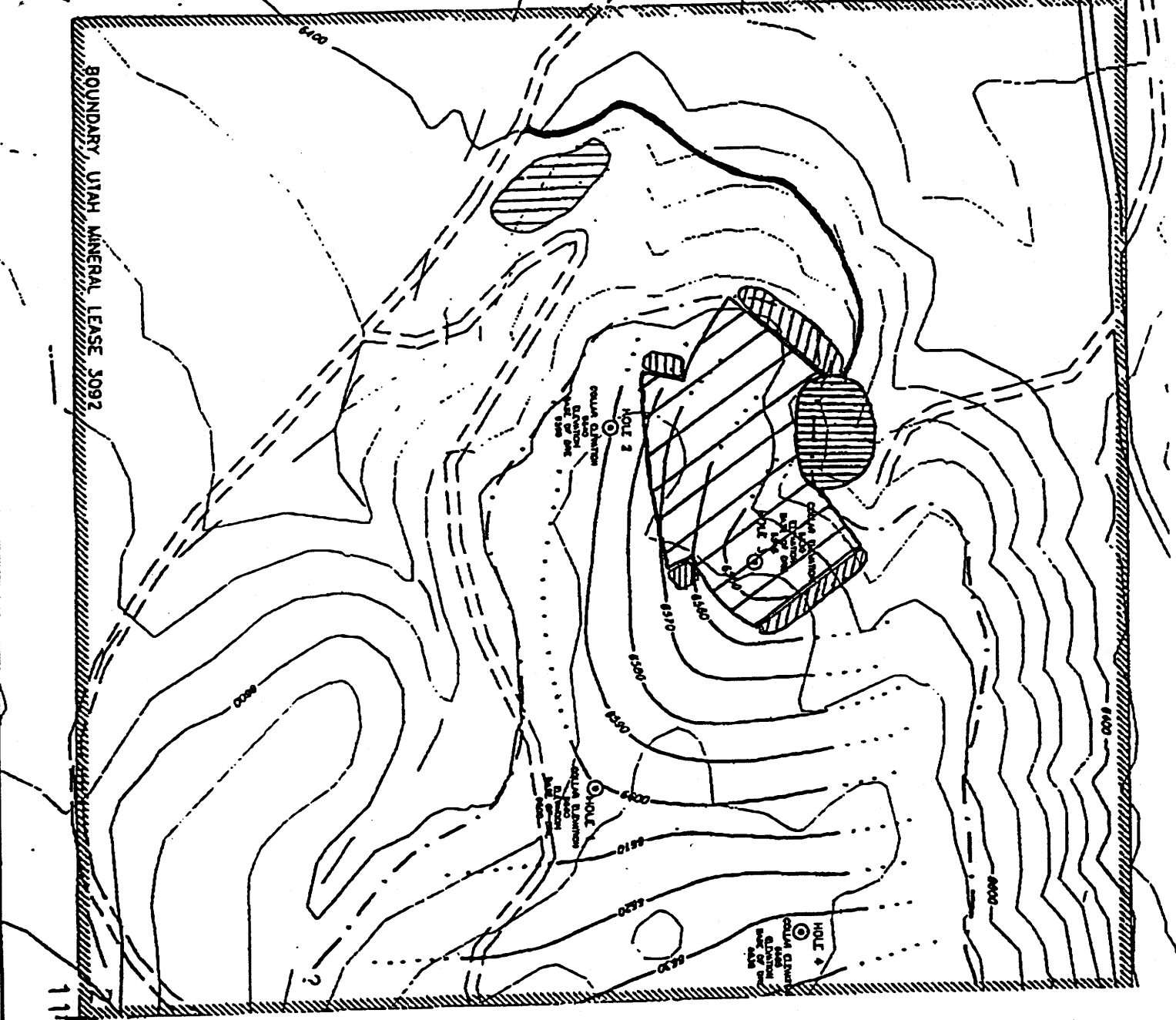
The legal description of lands to be disturbed is:

Part of (10 acres) located in the SE/4 of Section 2 T27S - R9N
Beaver County, Utah. Area boundary is marked on the ground with
appropriate signs.

APPENDIX "A"

Pearl Queen Perlite Corporation
Map of Disturbed Surface Areas
(Years 1-5)

RECEIVED
FEB 24 1997
DIV. OF OIL, GAS & MINING



LEGEND OF MAP	
Crusher Pad/ Waste Rock Disposal Site	
Mine Access Road	
Mine Area (Years 1-5)	
Soil Stockpiles	
Brush/Grub Stockpile	

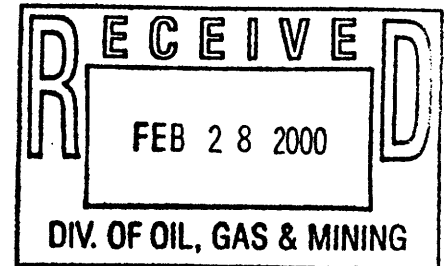
PEARL QUEEN PERLITE CORPORATION
P.O. Box 490
Milford, Utah 84751
Prepared By: DANIEL GATTEN,
PROJECT COORDINATOR
February 10, 1997

DUPLICATE ORIGINAL
ATTACHMENT B

FORM MR-6
Joint Agency Surety Form
(January 7, 1999)

Bond Number [REDACTED]
Permit Number M/001/027
Mine Name PEARL QUEEN PERLITE MINE
Other Agency File Number ML-3092

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
Division of Oil, Gas and Mining
1594 West North Temple Suite 1210
Box 145801
Salt Lake City, Utah 84114-5801
Telephone: (801) 538-5291
Fax: (801) 359-3940



THE MINED LAND RECLAMATION ACT

SURETY BOND

The undersigned BASIN PERLITE COMPANY as Principal, and AMWEST SURETY INSURANCE COMPANY as Surety, hereby jointly and severally bind ourselves, our heirs, administrators, executors, successors and assigns unto the State of Utah, Division of Oil, Gas and Mining, and the School & Institutional Trust Lands Administration in the penal sum of FORTY THOUSAND EIGHT HUNDRED AND 00/100 dollars (\$ 40,800.00).

Principal has estimated in the Mining and Reclamation Plan approved by the Division of Oil, Gas and Mining on the 5th day of August, 19 97, that 10 acres of land will be disturbed by this mining operation in the State of Utah.

A description of the disturbed land is attached as "Attachment A" to the Reclamation Contract of which this document is an integral part.

The condition of this obligation is that if the Division determines that Principal has satisfactorily reclaimed the disturbed lands in accordance with the approved Mining and Reclamation Plan and has faithfully performed all requirements of the Mined Land Reclamation Act, and complied with the Rules and Regulations adopted in accordance therewith, then this obligation shall be void; otherwise it shall remain in full force and effect.

If the Mining and Reclamation Plan provides for periodic partial reclamation of the disturbed lands, and if the lands are reclaimed in accordance with such Plan, Act and regulations, then Principal may apply for a reduction in the amount of this Surety Bond.

Bond Number [REDACTED]
Permit Number M/001/027
Mine Name PEARL QUEEN PERLITE MINE
Other Agency File Number ML-3092

AFFIDAVIT OF QUALIFICATION

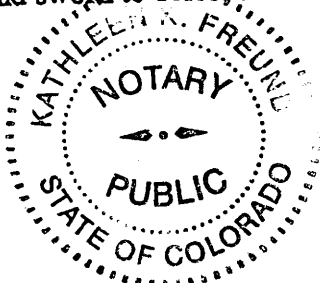
On the 16TH day of NOVEMBER, 19 99, personally appeared before me VIVIENNE DOUGLAS who being by me duly sworn did say that he/she, the said VIVIENNE DOUGLAS is the ATTORNEY-IN-FACT of AMWEST SURETY INSURANCE COMPANY and duly acknowledged that said instrument was signed on behalf of said company by authority of its bylaws or a resolution of its board of directors and said VIVIENNE DOUGLAS duly acknowledged to me that said company executed the same, and that he/she is duly authorized to execute and deliver the foregoing obligations; that said Surety is authorized to execute the same and has complied in all respects with the laws of Utah in reference to becoming sole surety upon bonds, undertaking and obligations.

Signed: [Signature]
Surety Officer

Title: ATTORNEY-IN-FACT

STATE OF COLORADO)
) ss:
COUNTY OF DENVER)

Subscribed and sworn to before me this 16TH day of NOVEMBER, 19 99.



Kathleen K Freund
Notary Public

Residing at: LITTLETON, COLORADO

My Commission Expires:

JANUARY 15, XX 2000

Basin Perlite Company

SURETY ESTIMATE UPDATE

Pearl Queen Perlite

FILE # M/001/027

Beaver County

Prepared by Utah Division of Oil, Gas & Mining

Last Update 3/12/97 1999

DESCRIPTION:

-Previous reclamation surety estimate was \$36,300 in year 2002 dollars

-Reclamation Estimate base amount calculated in 1997-\$

-This update adjusts the surety amount for escalation only.

The Surety is being escalated based on the property being sold to Basin Perlite Co

-Escalation factors through 1997 are actual Means Historical Cost Indices

-Total disturbed area =

10 ACRES

CALCULATIONS

$$F = P(1 + i)^{**n}$$

YR	ESCAL FACTOR	BOND AMOUNT
1977	0.0870	\$0
1978	0.0710	\$0
1979	0.0860	\$0
1980	0.0860	\$0
1981	0.0991	\$0
1982	0.0940	\$0
1983	0.0104	\$0
1984	0.0092	\$0
1985	0.0290	\$0
1986	0.0210	\$0
1987	0.0195	\$0
1988	0.0181	\$0
1989	0.0177	\$0
1990	0.0077	\$0
1991	0.0127	\$0
1992	0.0221	\$0
1993	0.0261	\$0
1994	0.0321	\$0
1995	0.0193	\$0
1996	0.0242	\$0
1997	0.0236	\$32,014
1998	0.0502	\$33,621
1999	0.0327	\$34,721
2000	0.0327	\$35,856
2001	0.0327	\$37,028
2002	0.0327	\$38,239
2003	0.0327	\$39,490
2004	0.0327	\$40,781

F = Future Sum

P = Present Sum

i = Escalation Factor

n = number of periods

Three Yr Average = 3.27%

Used to Project 5 Yrs

From the Year 1999

Updated Surety Amount Rounded (2004-\$)

\$40,800

** Average cost per acre =

\$4,080 (\$/ACRE)